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**Self-categorization as a nonmarket strategy for subsidiaries of multinationals:  
The case of the international expansion of an online platform**

**Abstract**

This article examines how MNE subsidiaries develop nonmarket strategies to create a fit between a global market strategy and a local nonmarket framework. Derived from an analysis of archives and interviews on eBay's expansion into France, our findings suggest that MNE subsidiaries engage in defensive and proactive self-categorization to create their nonmarket strategic fit. Specifically, through the purposeful use of labels, rhetoric and narratives, self-categorization enables subsidiaries to strategically position themselves vis-à-vis both regulators and local incumbents, thereby exercising agency to influence the nonmarket environment in their preferred direction. The findings contribute to the institution-based view of international strategy by shedding new light on the interaction between MNE subsidiaries and local institutional authorities in a context of international expansion. Furthermore, we theorize how subsidiaries use self-categorization to transfer global organizational practices to the host country.

**Keywords:** nonmarket strategy; MNE subsidiaries; institution-based view; self-categorization; organizational practice transfer.

## 1 Introduction

Researchers in international business (IB) have long theorized that multinational enterprises (MNEs) face a liability of foreignness (Zaheer, 1995). In particular, the differences and potential contradictions between home and host countries' institutions can be a sensitive issue for MNEs pursuing a global strategy, even more so given the diversity of norms, cognitive references and formal regulations across regions (Xu & Shenkar, 2002). To cope with idiosyncratic 'rules of the game' and accommodate potentially conflicting national institutions, MNEs develop nonmarket strategies aimed at coping with, and influencing, the institutional environment in which they operate (Baron, 1995; Doh, Lawton, & Rajwani, 2012).

Nonmarket strategic fit – that is, the alignment between a firm's business strategy and the institutional environment (Lux, 2016) – is particularly hard to achieve for subsidiaries of MNEs. In the case of domestic businesses, nonmarket strategies aim to address 'unidimensional' tensions between the firm's market strategy and its nonmarket environment (see Wrona & Sinzig, 2018 for a recent literature review). Conversely, MNEs and their subsidiaries develop nonmarket strategies to resolve various multidimensional tensions: between host and home institutional frameworks (Blumentritt, 2003; Keim & Hillman, 2008); between the business strategy of the corporation and constraints imposed by international institutions (Boddewyn & Doh, 2011; Doh, McGuire, & Ozaki, 2015); and between simultaneously pursuing a global market strategy and a multi-domestic nonmarket strategy (Kobrin, 2015; White, Boddewyn, & Galang, 2015). Caught in an "institutional duality" (Kostova & Roth, 2002), MNE subsidiaries rely greatly on their ability to build effective patterns of interaction with foreign governments at an early stage and to establish trustworthy relationships with them in order to facilitate the transfer of the organizational practices designed by their head offices (Elsahn & Benson-Rea, 2018; Kostova, 1999).

While current studies have considerably advanced our understanding of nonmarket strategies in the context of international business, we still know little about how subsidiaries achieve a nonmarket strategic fit in the early stages of their expansion. In particular, the process through

which MNE subsidiaries cope with their host countries' formal institutional frameworks while also pursuing their global strategy remains largely unexplored. This is an important omission, because the tensions between local/nonmarket and global/market conditions may lead to competitive disadvantages for subsidiaries, especially in an era of global connectivity that increases pressures towards standardization (Alcácer, Cantwell, & Piscitello, 2016; Brouthers, Geisser, & Rothlauf, 2016). We therefore ask the following question: How do MNE subsidiaries develop nonmarket strategies to create a fit between a global market strategy and a local nonmarket framework?

We adopt an institution-based view of international strategy (Peng, 2002; Peng, Wang, & Yi, 2008) and address the question through a longitudinal case analysis of eBay's entry into and expansion in the French market. We focus on how the subsidiary negotiated its nonmarket strategic fit in the face of conflicting challenges stemming from the necessity to follow the global market strategy dictated by its US head office while also addressing the constraints arising from the local legal framework. We found that eBay's nonmarket strategies relied on self-categorization – the definition of a firm's activities in terms of a prototype that “describes and prescribes perceptions, attitudes, feelings and behaviors” (Hogg & Terry, 2000, p. 124). In the case we observed, the subsidiary resorted to defensive and proactive self-categorization that involved the purposeful use of labels, rhetoric and narratives. Labels provided classifying names for assigning the subsidiary to a convenient category; rhetoric expressed the subsidiary's capacity to influence nonmarket actors through logical argumentation; and narratives conveyed the subsidiary's efforts to construct meaning out of situational cues. Our findings contribute to the institution-based view of international strategy by expanding our understanding of self-categorization as a nonmarket strategy. In particular, we theorize how subsidiaries use self-categorization to a) create a nonmarket strategic fit with the local context; and b) transfer global organizational practices to the host country.

## **2 Internationalization, institutions and nonmarket strategies**

In recent years, the recognition that the internationalization of companies is as much an economic as it is a political endeavor, in which market and nonmarket strategies intertwine (Boddewyn, 1988; Oliver, 1991), has led to the emergence of an ‘institution-based view’ of international business (Peng, 2002; Peng, et al., 2008). The institution-based view “focuses on the dynamic interaction between institutions and organizations, and considers strategic choices as the outcome of such interactions” (Peng, et al., 2008, p. 922). Institutions are therefore seen as governing the strategic behavior of MNEs in the sense that firms make decisions within the formal and informal constraints of given institutional frameworks (Kostova & Roth, 2002; Peng, Sunny Li, Pinkham, & Hao, 2009). In particular, idiosyncratic institutions constrain their choices of locations (Xu & Shenkar, 2002), entry strategies (Meyer, Estrin, Bhaumik, & Peng, 2009) and – once they have entered a foreign market – the adoption of organizational practices and the implementation of their strategic decisions (Boddewyn, 2003; Kostova & Roth, 2002; Tashman, Marano, & Kostova, 2019).

The term ‘institutions’ refers to nonmarket constraints, ranging from the ‘informal’, which derive from the accepted norms and cultures that permeate economic exchanges, to ‘formal’, which include laws and regulations created at a national, regional or global level to regulate exchanges (Boddewyn, 2016; North, 1990; Peng, et al., 2009). In their post-entry phase, MNE subsidiaries have little leverage over informal institutions, which are generally rooted in a country’s history and traditions, especially in emerging or transitioning economies, where formal regulations may be underdeveloped (Meyer, et al., 2009; Meyer & Peng, 2005). In developed economies, formal institutions are particularly essential to a firm’s ability to act, as the metaphor “organizations are immersed in a sea of laws” (Edelman & Suchman, 1997, p. 480) implies. Unlike informal institutions, laws and regulations can be influenced by companies, which can build channels of communication with regulators and contribute towards shaping legal rules (Edelman, Uggen, & Erlanger, 1999; White, et al., 2015). In this article, we focus on these formal institutions, and more specifically on the regulatory environments in which MNE subsidiaries operate.

MNEs need to engage in political behavior and develop nonmarket strategies in order to respond to idiosyncratic institutions (Boddewyn & Brewer, 1994). The argument is not new, and has been extensively discussed in the general context of domestic firms since Baron's (1995) seminal article (see Doh, et al., 2012; Mellahi, Frynas, Sun, & Siegel, 2016 for reviews). Scholars have identified a repertoire of different strategies ranging from 'defensive', which aim to protect existing modes of market interaction by thwarting undesired regulatory changes, to 'proactive', which seek to shape the institutional environment in a favorable way by influencing how norms, standards and regulations are developed (Hillman & Hitt, 1999; Hillman, Keim, & Schuler, 2004; Oliver & Holzinger, 2008; Rajwani & Liedong, 2015). Like domestic firms, MNEs develop nonmarket strategies to resolve conflicts between their managerial interests and the requirements imposed on them by institutions: that is, to create a strategic fit between their business and their nonmarket environment (Edelman, 1992; Funk & Hirschman, 2017; Lux, 2016).

In the case of MNEs, however, this fit involves additional dimensions when compared with purely domestic firms. MNEs have to deal with markets that are "increasingly characterized by flows, networks and multiscalarity" and at the same time, with institutional environments that are "still largely geographically delimited... at a national or even a local scale" (Kobrin, 2015, p. 263). The consequence of this discrepancy is that MNEs need to simultaneously address highly integrated markets by delivering standardized products and services on a global scale and very idiosyncratic local institutional frameworks that require the development of a specific nonmarket strategy (Doh, et al., 2015; Kobrin, 2015; Peng, et al., 2008). The head offices of MNEs generally pass the responsibility of coping with these discrepancies on to their subsidiaries, which are therefore in turn confronted with an institutional duality: they must respond to both a within-organization set of pressures to conform to global decisions and a host country set of pressures to conform to local institutional patterns (Hillman & Wan, 2005; Kostova & Roth, 2002; Nell, Puck, & Heidenreich, 2015).

In this context, subsidiaries play the role of boundary spanners, facilitating the transfer of knowledge and practices between host and home countries (Khan, Lew, & Sinkovics, 2015; Patriotta,

Castellano, & Wright, 2013). As they develop a capacity to 'read' local institutional configurations (Montiel, Husted, & Christmann, 2012) and invest in relationships with key influential nonmarket actors in the environment in which they operate (Darendeli & Hill, 2016), subsidiaries become "anchored in the local context, which keeps them informed about relevant issues in the host environment" (Kostova, Nell, & Hoenen, 2018, p. 2620). By developing nonmarket strategies, they gain legitimacy vis-à-vis the host country's government (Banerjee & Venaik, 2018), improve their market visibility (Puck, Rogers, & Mohr, 2013) and potentially increase their capacity to leverage resources in order to enhance their market presence (Frynas, Mellahi, & Pigman, 2006; Lawton, McGuire, & Rajwani, 2013). The embeddedness of subsidiaries in their host countries' institutional environments impacts on their ability to transfer the organizational practices adopted by their global head offices through diffusion and institutionalization at their local level (Kostova, 1999). This transfer may mean that organizational practices must be adapted, or even transformed, into a form that fits with the local environment (Kostova, Marano, & Tallman, 2016; Yu & Zaheer, 2010).

This institutional duality is likely to oblige a subsidiary to invest in costly and resource-consuming nonmarket activities as a way of negotiating its standing in the host context (Blumentritt, 2003; Nell, et al., 2015). The process by which subsidiaries cope with the dual pressure remains largely unexplored, however. In particular, the implementation of nonmarket strategies at the early stages of a subsidiary's entry, when global/local tensions first appear, seems to be critical to the success of an MNE's international expansion. Tensions are particularly acute at these early stages, as MNEs transfer knowledge and practices that originated in their home institutional environment: when they open subsidiaries across the world, MNEs do not just offer a standardized product or service on multiple markets – they carry their home country's institutional values into different foreign countries through these products and services. As subsidiaries generally have some degree of autonomy from their head offices, the creation of a fit with their host countries' laws and regulations while also maintaining their fit with their parent companies is a particularly daunting

challenge. This paper investigates this issue by looking at the nonmarket strategy developed by eBay in France, which is a subsidiary of eBay Inc.

### **3 Context and Methods**

#### *3.1 National context*

France has more of a coordinated market economy than countries such as the UK or the USA (Hall & Soskice, 2001; Witt & Jackson, 2016), which makes it particularly relevant for a study of the nonmarket strategies of international subsidiaries. In particular, the French State is traditionally a major player in the creation and development of new organizational forms, as “new industry creation... reflects the government’s dominant role, with a disproportionate number of innovations taking place in large, technology-intensive systems conceived with the development of breakthrough innovations for public sector markets in view” (Spencer, Murtha, & Lenway, 2005: 331). When Internet-based businesses first appeared, for example, they were viewed with suspicion by the French regulator, partly because they were inspired by entrepreneurs who were driven by market opportunities rather than coordinated government initiatives (Jeunemaître & Dumez, 2003). In 2000, the government created an advisory board known as the ‘Forum on Internet Rights’ (*Forum des droits de l’Internet*) to identify potential Internet-related issues. It was financed by, and reported to, the Ministry for the Economy, Industry and Employment, and its mandate was to bring together government representatives and Internet actors to help the government frame new regulations. It also became the source of recommendations on the regulation of Internet-based businesses such as eBay.

#### *3.2 eBay in France*

eBay was founded in California, USA in 1995. It owns and runs an internet-based marketplace also named ‘eBay’ that enables individuals with an eBay account to buy and sell items through electronic auctions or at a fixed price. The sellers are private individuals who use the marketplace as an ‘online garage sale’, shopkeepers who see eBay as an opportunity to make extra money and entrepreneurs who have started a business on eBay.



Before eBay internationalized in France, a similar business named iBazar was launched by two French entrepreneurs in 1998, becoming the national leader. Following a strategy of expansion in Europe, eBay Corporation acquired iBazar in 2001 and created ebay.fr, a rapidly-growing national auction-based e-marketplace with an international reach. As long as the business remained a niche actor on the French retail scene, it remained outside the scope of regulatory authorities, but its fast growth disturbed the status quo in the retail industry and raised regulatory issues, which were handled by the Chief Executive Officer of eBay France and successive Chief Legal Officers, who were trained lawyers. Interactions between the regulator and eBay France became more frequent, and revealed an increasing interdependence between the subsidiary and the regulator.

The relationship between eBay's head office and its French subsidiary was a blend of autonomy and dependence. As the CEO of ebay.fr explained, "There was a global strategic line that all countries fell into, which had to do with the product itself": eBay was a global platform that offered the same features and functionalities throughout the world. Subsidiaries could ask for changes to be made to these features on an annual basis, and their requests were reviewed by the U.S. head office. eBay subsidiaries enjoyed autonomy from head office as long as no change to the platform was involved: for example, the French subsidiary enjoyed autonomy in the running of its daily operations and finding ways to cope with local specificities, including institutions.<sup>1</sup>

### 3.3 *Data collection*

Our study relied for the most part on archival data, which we complemented with interview-based data (see Appendix A for a summary of the data collection). In the case of the archival data, we followed a historiographic approach (Ventresca & Mohr, 2005). We focused on a single organization – eBay – and built a chronology of its expansion in France. The choice was made to cover the time period between 2004, when eBay started having recurring interactions with the

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<sup>1</sup> eBay subsidiaries in Europe report to the regional European headquarters in addition to the global head office in the US. The regional European headquarters were responsible for implementing the regional economic targets set at a global level and for monitoring the performance of national subsidiaries (growth, costs, budgets, etc.).

regulator, and 2010, by which time eBay had gained institutional legitimacy. In line with our objective to build a longitudinal case study of eBay's entry into and expansion in the French market, we collected the data by reading archives covering the period between 2004 and 2010, focusing on information related to flows of communication between the two parties. Government rules, bills, decrees and laws were accessed through Légifrance, the French government body that publishes and distributes all legal texts, decrees, and court rulings ([legifrance.gouv.fr](http://legifrance.gouv.fr)). Governmental reports and other texts were accessed through more specific websites such as that of the Forum on Internet Rights, which remained open for archival searches even after the Forum was dissolved in December 2010 ([foruminternet.org](http://foruminternet.org)), and the archive section of the website of the Ministry of Small & Medium-Sized Businesses, Commerce, Crafts and Liberal Professions ([pme.gouv.fr](http://pme.gouv.fr))<sup>2</sup>. Other secondary data include analyses and descriptions of government decisions by observers, analysts, data from journalists, the websites of professional associations (e.g. [fevad.com](http://fevad.com)), online newspapers (e.g. [journaldunet.com](http://journaldunet.com) and [zdnet.fr](http://zdnet.fr)), business newspapers (e.g. [lesechos.fr](http://lesechos.fr), [latribune.fr](http://latribune.fr), and [lexpansion.lexpress.fr](http://lexpansion.lexpress.fr)), legal websites (e.g. [legalis.net](http://legalis.net)) and international sources (e.g. The Financial Times and the BBC). These documents also provided details of the interactions between eBay and the French government. Data providing more specific details of eBay's actions were collected from the archive section of eBay France's website. All the news published between January 2006 (the first date it was available online) and December 2010 was retrieved from [actualites.ebay.fr](http://actualites.ebay.fr). This news page – which comprises around 100 items a year – targets eBay users and provides information on technical changes to the platform, new rules, new tariffs and promotional campaigns. A total of 776 documents covering the history of eBay in France between 2004 and 2010 were collected electronically and analyzed for the study.

As archival data tend to record the visible and official rather than 'off-the-record' aspects of an organization (Liu & Grey, 2018), and because it is difficult to evaluate the reliability of information

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<sup>2</sup> This ministry, created in May 2005, became a Secretariat of State two years later and merged with the Ministry for the Economy, Industry and Employment.

included in archival documents (Barnes, Dang, Leavitt, Guarana, & Uhlmann, 2018), we conducted a series of confirmatory interviews. We focused on three types of informant: senior managers at eBay France who had been involved in discussions with the regulatory authorities in the period being studied; representatives of the government who interacted with eBay managers; and managers at PriceMinister (eBay's main competitor in France at the time) who had been involved in discussions with eBay (11 persons in total - see Appendix A). The questions put to them were aimed at corroborating the chronology of interactions we had derived from the archival data. They also provided an inside view of these interactions, revealing informal elements of the relations between eBay and the government. The questions to eBay managers focused on the reasons why eBay had engaged in interactions with the regulator, how each round of interactions had unfolded and the interpretations and arguments developed by eBay personnel during the discussions (see examples in Appendix B). The questions to members of the government and PriceMinister managers were intended to triangulate the factual elements disclosed by eBay managers, in particular where the archival data did not enable reliable triangulation. This was not always necessary, however: for example, eBay's description of its defense positions in the lawsuits in which it was involved was easily triangulated by comparing it with official and legal documents and journalists' reports of the proceedings, while on the other hand, eBay's account of the discussions in the Forum on Internet Rights required triangulation with another inside account. These focused confirmatory interviews were conducted face to face (3 managers of eBay France), over the telephone (3 managers of eBay France, 2 representatives of the government, and 1 manager of PriceMinister) and electronically (by sending a list of questions to the respondents when a face-to-face or telephone interview was not possible: 1 representative of the government and 1 PriceMinister manager).

In Figure 1, we map the relationships among the eBay executives we studied and between the subsidiary and its competitors, local incumbents, and various nonmarket actors.

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INSERT FIGURE 1 ABOUT HERE  
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### 3.4 *Data analysis*

Our data analysis followed three steps. The first was to build a chronology of eBay's internationalization process in France from 2005 to 2010. This included all events recorded in the archival documents on ebay.fr. From this eclectic dataset, a distinction was made between relevant and irrelevant events. Events were considered to be relevant when they made up 'situations': that is, when they involved a series of interactions between eBay, incumbents and regulators around a decision to be taken in which new interpretive frameworks were developed and discussed. Seven such situations were identified. The interviews with eBay managers confirmed that all seven situations were relevant, and that no other major situation had taken place involving eBay and the French regulator, thereby validating our chronology.

Our second step was to structure our process data into a longitudinal case study. We wrote a detailed account for each situation based on the archival data and confirmatory interviews, combining 'narration' and 'time-bracketing' data analysis strategies (Langley, 1999). More specifically, the seven situations were categorized according to the type of nonmarket strategy eBay built to cope with them, which was either defensive or proactive. Figure 2 presents a chronology of the situations that developed during eBay's internationalization in France and the nonmarket strategies associated with each of them. This figure is described and commented on further in the findings section below.

The third step of our analysis consisted of building a theoretically informed interpretation of the case study. While acknowledging that "the meaning of [archival] documents is a matter of interpretation by researchers" (Liu & Grey, 2018, p. 647), we were careful to go back and forth between the data and the literature to avoid the "problem of forcing fit": that is, developing an explanatory scheme too early (Vaughan, 1992, p. 195). Based on the factual accounts in step 2, we progressively developed an assessment for each situation of how eBay used defensive self-categorization strategies and evolved towards more proactive strategies, thus reinforcing its role in shaping the nonmarket environment.

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INSERT FIGURE 2 ABOUT HERE  
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## 4 Findings

As a multinational company founded in economically liberal California, eBay was confronted with an exceptionally challenging institutional environment when it entered the French market. The CEO of eBay France recalled: “The French institutional environment was always more challenging, and it required us to have conversations with key national institutions or to make sure we were careful about how we managed certain aspects of the growth”. In this section, we describe how the subsidiary successfully built its own nonmarket strategic fit in France by deploying and refining a definition of itself over time. We focus on key controversial situations that posed potential challenges (leading to defensive nonmarket strategies) and provided potential opportunities (leading to proactive nonmarket strategies) in the subsidiary’s international expansion. Although the defensive and proactive strategies were launched by the subsidiary simultaneously, we present them in succession for the purpose of clarity.

### 4.1 *Defensive nonmarket strategies*

Whenever it was threatened by its institutional environment, eBay France reacted by delimiting its responsibility and avoiding potentially threatening institutional decisions. Successive situations led to increasingly intense forms of self-categorization. Below, we present four situations that are representative of the subsidiary’s use of self-categorization as a defensive strategy.

#### 4.1.1 Labels as a protection against new regulations: The ‘Forum on Internet Rights’ situation

The rapid growth of eBay in France led to the platform’s activity coming under the scrutiny of the regulator as early as 2004. In the regulator’s view, eBay France had become an enabler of tax evasion, a way for sellers of large quantities of goods to fly under the tax authorities’ radar. This was a potential issue for eBay’s subsidiary, and triggered increased discussions and negotiations with the regulatory authorities.

In 2004, the Ministry of Economy, Finance and Industry requested the creation of a working group within the Forum for Internet Rights to assess whether e-commerce platforms should control their sellers more closely. Repeated discussions and negotiations took place between May 2004 and November 2005, the subsidiary's main objective being to defend itself against further regulations. B.D., the Chief Legal Officer of eBay France, who sat on the Forum on Internet Rights on behalf of the subsidiary, explained that eBay's "objective in the Forum was to think of a way to develop its activity harmoniously with the authorities... [and] for [eBay's] activity to stop being seen as dodgy, as a platform for tax evaders". eBay achieved this by profiling the platform in such a way that it would be viewed by the regulatory authorities as being reliable and safe.

During the negotiations, eBay sought to convince the government representatives that its platform was an enabler of transactions, an online tool that improved transparency and fluidity between buyers and sellers. The subsidiary's managers proposed that eBay should be labeled as a 'broker' rather than as an 'agent'. As a broker, the platform had no responsibility other than to provide the technical tools to facilitate transactions. Unlike other French e-marketplaces, such as PriceMinister, which acted as agents for their sellers, eBay claimed that it did not represent the sellers' interests, and so was in no way responsible for their actions, including possible tax evasion. The subsidiary's managers claimed that a decision by the government to impose further monitoring obligations on eBay would conflict with its true role as a broker.

The categorization of eBay as a 'broker' was partly a defensive strategy to avoid the additional costs associated with legal constraints. As the government-appointed convener of the discussions (B.T.) recalls: "For eBay there was a fear of getting trapped in commitments beyond the existing laws... Their dynamic approach could be halted if [the discussion group] came up with recommendations that 'we need a new law to police big sellers and force them to pay 15% tax'."

In the final report published by the Forum on Internet Rights in November 2005, eBay's categorization as a broker was officially recognized and distinguished from other operators. In particular, Chapter 2 of the report detailed the "liability schemes of online platforms" by

distinguishing between the “agent model” and the “broker model”. Through labeling, eBay France protected itself against the potential nonmarket threats that affected other labels. It also exploited the position that a broker was by definition ‘non-interventionist’ and ‘neutral’. By so doing, it conveyed the position that its tasks included connecting buyers and sellers and facilitating trades, but that monitoring transactions and reporting tax evaders were not within its remit. The label became a ‘container’ of meaningful rhetoric for influencing institutional authorities.

#### 4.1.2 Using rhetoric as a defense against assaults from incumbents: the ‘auction sales’ situation

The first incumbent actor that entered into conflict with eBay France was the Council of Auctioneers (“Conseil des Ventes Volontaires”, or CVV), the professional association responsible for liaising with the government on the regulation of auction sales. France had stricter regulations than other countries in this area, as all auctions had to be carried out by accredited auctioneers and authorized by the CVV. The association requested that eBay France activities be made subject to its supervision, and when the subsidiary refused in 2007, it launched legal proceedings claiming an infringement of the regulation. In the CVV’s opinion, eBay’s auction algorithm was similar to traditional auctions, whereas eBay’s position was that the claim represented a novel situation.

During the trial, eBay France used and refined its self-categorization as a broker. It adopted the position that auction sales and brokerage were incompatible because auctions required an auctioneer to act as the sellers’ agent. The Chief Legal Officer (B.D.) recalled: “eBay’s position was to say ‘we don’t do auction sales, we do online auctions’, and we wouldn’t use the term ‘auction sales’ because we weren’t the sellers’ agents”. A.V.S, the CEO of eBay France, remembered that eBay’s stance towards the Council of Auctioneers was along these lines: “Look, we are not an auction site. In our case, an auction is just a pricing format, one that we call an auction format, but we are not an auctioneer. We do not physically inspect the goods we are about to sell, and we do not put a value on them; the seller puts a value on them”.

Over the course of three years of legal proceedings and several appeals by the CVV, eBay France specified the auction-like attributes attached to the ‘broker’ label. The CEO stated that the

need to defend his company against the CVV had an impact on how the firm defined its activity: “Certainly, our point of view was always very strongly that we shouldn’t be regulated by the CVV. This case greatly impacted the way we talked about ourselves, and hence the way we defended ourselves”. By proposing the notion of ‘online auctions’ and contrasting it with ‘auction sales’, the subsidiary attached an ad hoc attribute to the label. It further expanded the ‘online broker’ label so that it tied in naturally with online auctions. In so doing, it distinguished itself from traditional auction houses, which were within the remit of the CVV.

When the trial concluded in 2010, the Tribunal de Grande Instance de Paris (the High Court of Paris) found that: “eBay’s activity is characteristic of brokerage through electronic auctions... which excludes classification as an agent of the seller” and “no condition of auction sales is present”<sup>3</sup>. By this statement, the Court accepted that online auctions (which were relabeled “electronic” auctions) were a legitimate attribute of online brokerage. It also noted the incompatibility between traditional auction sales and brokerage. The subsidiary was successful in developing its rhetoric, and managed to differentiate itself further from the ‘agent’ category, hence sheltering itself from constraining regulations. Institutional distance was somehow addressed through rhetorical distancing. In some other cases, however, rhetorical tactics proved to be less successful, as we demonstrate below.

#### 4.1.3 When defensive rhetoric fails: the ‘luxury industry’ situation

The second group of actors who entered into legal conflict with the eBay subsidiary was the luxury industry, notably the luxury brand giant LVMH. The French luxury industry had traditionally organized its distribution through exclusive channels, and imposed strict controls on its retailers. Despite these restrictions, luxury branded items were finding their way on to ebay.fr and other eBay national websites. The companies behind these brands formed the opinion that eBay was infringing their selective distribution system, claiming that putting their branded items on the website was

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<sup>3</sup> Source: Tribunal de Grande Instance de Paris, 5<sup>th</sup> Chamber, 1<sup>st</sup> Section. Judgment dated 25 May 2010. Available at: [http://www.legalis.net/spip.php?page=jurisprudence-decision&id\\_article=2925](http://www.legalis.net/spip.php?page=jurisprudence-decision&id_article=2925) (Accessed: May 2019).



illegal and should be prohibited. In 2006, LVMH companies such as Dior, Kenzo, Givenchy, Louis Vuitton and Guerlain commenced legal proceedings against eBay International AG, the European headquarters hosting ebay.fr.

The subsidiary once again made use of the ‘broker’ label to protect itself against the risk of having additional restrictions placed on its transactions. During the 2008 trial with luxury perfume brands, eBay’s lawyers limited and qualified the scope of the label, adding references to selective distribution, as this excerpt from the record of the proceedings shows: “eBay replied [to the plaintiffs] by stressing its quality as a host, as a mere technical service provider whose liability is limited to the law in force, and which is no exception for selective distribution; [...] and the absence of any breach of the plaintiffs’ networks by eBay, since eBay does not make any sales itself”<sup>4</sup>.

The court judgment offered crumbs of comfort to both sides. In favor of eBay International AG, it confirmed that the platform was a “brokerage website [and that] the essence of the service provided [was] intermediation between buyers and sellers”. In the luxury industry’s favor, it conceded that “by its nature, the quality of broker [did] not imply the absence of knowledge and control”<sup>5</sup>. In particular, the Commercial Court of Paris required the subsidiary to incorporate ‘control’ features into its brokerage function, a shift away from the ‘neutral brokerage’ rhetoric developed in the 2006 Forum on Internet Rights report. All the court judgments involving luxury brands reached similar conclusions, and despite several appeals, eBay France lost all the cases it was involved in.

These judgments forced the subsidiary to monitor its transactions more closely, which involved making difficult adjustments to its self-categorization as a neutral, non-intervening broker. The CEO explained how “the legal case resulted in injunctions which meant that [eBay France] had to prohibit the sale of all luxury perfumes, period”. He further detailed the problem with reconciling

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<sup>4</sup> Source: Tribunal de Commerce de Paris, 1<sup>st</sup> Chamber B. Judgment dated 30 June 2008, Parfums Christian Dior and others / eBay Inc, eBay International AG. Available at: [http://www.legalis.net/spip.php?page=jurisprudence-decision&id\\_article=2351](http://www.legalis.net/spip.php?page=jurisprudence-decision&id_article=2351) (Accessed: May 2019).

<sup>5</sup> Ibid.

the required adjustments with “brokerage liability”: “What we did not do – and we were very conscious of this, because of eBay’s brokerage liability – was hire hundreds of people to start going through items manually and filtering them out. We did make adjustments, with automatic filters. So obviously certain items got filtered out automatically.” These automatic procedures were added to the algorithm system with the approval of the US head office, and constituted a new technological functionality at eBay France. Because they were applied indiscriminately as part of the intermediation service, they enabled the subsidiary to comply with the new legal requirements while keeping its self-categorization as a neutral broker unaltered.

#### 4.1.4 Building persuasive rhetoric to prevent new constraining laws: the ‘Marini bill’ situation

In 2008, the Financial Commissioner of the French Senate, Philippe Marini, proposed an amendment bill that required ebay.fr and other e-commerce platforms to identify sellers whose yearly sales exceeded €5,000 and to report their details to the authorities. The re-emergence of the tax evasion question through a different institutional channel (the Senate) represented a new situation for the company. eBay France and the owners of two other French online marketplaces (PriceMinister and Amazon) launched a joint action against the bill, developing two main lines of argument. First, they used the final report of the Forum on Internet Rights to illustrate the inconsistency of setting a revenue threshold. The possibility of a threshold to identify business sellers had been explicitly ruled out in the final 2005 report, partly as a result of eBay’s claim that it would discourage online sales and was unmanageable in practice. Besides, as the Chief Legal Officer (B.D.) recalled, establishing a threshold would lead eBay to “decide who should be business sellers, which [would mean] that eBay was no longer a broker, because eBay would intervene in its marketplace far more than it would by remaining at a neutral, technical level”. The previous ‘no threshold’ decision agreed by the government in 2005 was used in 2008 to remind the institutional authorities of their prior position and to demonstrate the inconsistency of the bill. The use of the Forum’s discussions as a defense position against the Marini bill was confirmed by B.T., who had convened the discussions: “eBay used the Forum’s report to nip certain government-initiated

projects like the Marini bill in the bud ... By using the Forum document, [eBay managers] were able to say ‘wait a minute, you set a threshold, you ask us to do certain things, but look what the report you agreed with says – it says no threshold’. I’m simplifying it, but that’s how the document was used.”

Second, the subsidiary’s lawyers used the Forum’s final report and the broker label. The Chief Legal Officer (E.G.) recalled how the subsidiary vehemently resisted the Marini bill by affirming that the platform “was not a tax inspector but a neutral broker, a mere host of business sellers, independent business owners who were responsible for their own tax returns”. By developing a persuasive rhetoric around the past agreements on thresholds and the fact that eBay France could not request private details from its sellers for tax purposes, the firm further expanded its self-categorization in relation to the situation at stake. This defense strategy was successful, and the bill was withdrawn in December 2008.

To sum up, international firms such as eBay can disturb the established institutional environment of the host country when they open subsidiaries. Under these circumstances, incumbents may resort to existing regulations to defend the status quo. eBay’s subsidiary used a self-categorization strategy to carve out a defense. By developing a label for itself and putting it into effect, and by having this label accepted by the regulatory authorities, the subsidiary disassociated itself from other categories that fell within the reach of the constraining regulations and created a protected space for its activities. As new situations emerged, the subsidiary resorted to rhetorical tactics aimed at refining and classifying the label. As a result, the ‘broker’ label became more intricate, and was tailored to each new situation, thereby greatly influencing nonmarket actors’ interpretation of the subsidiary.

#### *4.2 Proactive nonmarket strategies*

Starting in 2007, the parent company took the strategic decision to promote business sales, as business sellers meant higher reliability and higher sales volumes than private sellers. eBay France

needed government support to encourage business creation on its platform. Three situations led the subsidiary to refine its self-categorization in order to foster regulatory change.

#### 4.2.1 Complementing the 'broker' label with new narratives: the 'Dutreil Charter' situation

As its business grew and the number of sellers of large quantities of goods increased steadily, eBay was aware that it might show up on the regulator's radar again. In 2006, a year after the Forum's report was published, eBay decided to anticipate a possible change of mood at the government level and proposed its own solution to the nonmarket problem. In collaboration with the Federation of E-Commerce and Distance Sellers (FEVAD)<sup>6</sup>, it co-authored a document that took the position that while reasserting its status as a neutral broker, eBay also committed itself to assisting the government in its fight against tax evaders by communicating proactively with its large sellers and urging them to self-declare as businesses. In exchange, it requested the government's support in helping these individuals to transform their activities into businesses. By so doing, eBay complemented the 'broker' label with notions of entrepreneurship and business creation.

eBay France and FEVAD enrolled the Minister of Small & Medium-Sized Businesses, Commerce, Crafts and Liberal Professions, Renaud Dutreil<sup>7</sup> in this initiative. The subsidiary's Chief Legal Officer (B.D.) recalled that Dutreil "was extremely receptive to the fact that [eBay France] had thought about this notion of tax evasion" and "was happy to see that efforts [were] moving in the right direction". Dutreil agreed to sign the document (which was later named the 'Dutreil Charter'), thereby giving the French subsidiary its first institutional recognition.

With this initiative, eBay France imposed the narrative that far from being merely driven by the need to defend its business interests against regulation, it was taking a positive approach towards the national nonmarket environment, and was ready to support the government in tackling the problem of tax evasion. The document laid the ground for an emerging partnership between the subsidiary and the government around business creation, which was presented in the Charter as a

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<sup>6</sup> The French federation of online retailers.

<sup>7</sup> This was confirmed by Mr Dutreil in an interview.

“mutual commitment of online platforms and public authorities”. In particular, Points 11 and 12 of the Charter stated that eBay was committed to collaborating with the Minister to encourage sellers and inform them of the steps they needed to take in order to create a business. As B.D. explained, “One of the areas in which we [eBay France] contributed to the evolution of the law was where regulations did not exist. We tried to self-regulate by putting in place codes of practice or charters to try to pave the way towards new regulations – a more balanced regulatory environment, so to speak.” The Dutreil Charter represented the first step towards more proactive attempts to transform the institutional framework (“pave the way towards new regulations”) in a way that was more favorable to eBay (“a more balanced regulatory environment”).

#### 4.2.2 Using narratives to develop associations with the authorities: the Chatel Law situation

eBay’s growth in France was constrained by recurring complaints about the lack of reliability of certain sellers and their reluctance to export, unlike UK and German sellers. An opportunity to overcome these limitations arose with the publication of a European Directive to improve consumer protection, part of which related directly to e-commerce and Internet platforms. The aim of the Directive was to offer greater protection to online consumers and harmonize regulations across Europe. It targeted business (as opposed to private) sales, which were making up an increasing proportion of eBay’s sales at the time.

The subsidiary lobbied the members of the government responsible for transposing the Directive, in particular the Secretary of State for Industry and Consumer Affairs, Luc Chatel. eBay France’s objective was to ensure strict application of the e-commerce elements of the Directive. E.G., the Chief Legal Officer at eBay France, who negotiated with Chatel, recalled how she explained to the government that eBay’s scope had expanded beyond mere brokerage to include ‘business growth’: “The Chatel Law was an opportunity to meet government representatives and explain that our small and medium firms on eBay were struggling to export. The message we sent to the government was that now that the decision had been taken to clearly distinguish a business seller from a private seller, and the DNA of eBay was more and more about enabling small businesses to

grow, it was time to give support and a level playing field to small and medium firms that wanted to grow”.

The sellers’ problems with growth were partly due to differences in regulations across European countries, which forced them to change their practices depending on where they were shipping their products. E.G. recalled that eBay’s objective was “to harmonize regulations in Europe in order to facilitate exports”, and that “[her] work with Mr Chatel was mainly to make the voices of business sellers heard and to guarantee a higher level of quality and safety for buyers”.

In this situation, eBay France developed a new narrative around the notion of ‘business growth’ and the platform’s responsibility to address the difficulties experienced by small businesses. This narrative enabled the subsidiary to imbue the ‘broker’ label with positive attributes. As E.G. recalled, eBay’s arguments were as follows: “Look, our French sellers export, they’re vibrant, and there’s potential for economic growth. These sellers are your small and medium-sized enterprises who want to grow further... Help them to export, to reach the level of activity they have trouble reaching by themselves. Simplify and harmonize the rules!” The growth and job creation argument was a way of associating the platform’s activities with the institutional environment, a point confirmed by the other Chief Legal Officer, B.D.: “When you talk about job creation, governments start listening to you. Because they’re interested. Because more jobs mean more taxes, more VAT, etc. By saying all this to the government, we were able to push our ideas forward.”

The “Law for the Development of Competition to the Advantage of Consumers”, also called the ‘Chatel Law’, was passed by Parliament in December 2007. As the subsidiary had requested, the law was a strict application of the European Directive. It created a level playing field with other European countries, making it a legal requirement for online businesses to provide a delivery date and contact details and to refund buyers’ orders and shipping costs in case of a cancelation within 14 days. eBay France used the new law to force its business sellers to improve the quality of their services. As the CEO (A.V.S.) explained, once the new law became active, “the point was to

communicate with business sellers, saying ‘dear business sellers, there have been changes in online sales regulations, so from now on you need to do things differently’.”

By widening the scope of the ‘broker’ label to include new narratives, eBay France created a consistent association between nonmarket actors, who strove for better conditions for growth, and the internal requirement imposed by the head office to raise the quality and international scope of its seller base. The new law enabled the subsidiary to achieve these objectives while formally remaining a neutral, non-intervening broker. With the Chatel Law, the legal environment became better aligned with the platform’s activity, an ally for the dissemination of its organizational practices and a factor of institutional legitimization.

#### 4.2.3 Influencing institutions through positive narratives: the ‘auto-entrepreneur law’ situation

With its increasing focus on business sales worldwide, eBay relied on individual entrepreneurs to grow its base of small businesses. This proved difficult to achieve in France, however, because, as the Chief Legal Officer (E.G.), explained, French regulations made the process of launching a business complicated and costly. These regulations had to change. The CEO of eBay France explained: “From 2007, we started becoming more proactively involved. We tried to reach out to certain institutional individuals who we thought were the friendlier parties in the government and made sure we built relationships. And that’s how the Novelli Law on auto-entrepreneurship came about”.

In 2007, the newly-elected French President Nicolas Sarkozy appointed a committee to gather new ideas for liberalizing the economy. eBay France saw this initiative as an opportunity to continue what it had started with the Dutreil Charter, when it requested the government’s support with helping large private sellers become businesses. In response to the committee’s call for new ideas, it submitted a proposal on online entrepreneurship and stressed the need to facilitate the creation of businesses in France. In the process, the subsidiary developed a narrative of eBay as a vector for entrepreneurship. The Chief Legal Officer (E.G.) recalled how when she met the convener

of the committee<sup>8</sup>, she described “eBay’s actions to promote entrepreneurship and the feedback from sellers that it [was] difficult to create a business here in France”. On behalf of eBay France, she asked the regulator to “support [its] efforts by creating a legal status to encourage business creation”. A.V.S. confirmed that the subsidiary’s involvement “was very much submitting the idea of facilitating entrepreneurship, and then later, when Novelli rolled it out, [the involvement was] communicating, celebrating, and championing it”.

To supplement these business arguments, eBay France developed a series of social narratives. It presented itself as a platform that helped marginalized people who were struggling to find a job and earn a living. The subsidiary hired an independent research agency to carry out a survey on business creation on its platform. As the CEO explained, the survey<sup>9</sup> “provided a bit of eBay marketing muscle in favor of the auto-entrepreneurship law”, as it revealed that “of 10,000 business sellers, 30% were formerly unemployed and had worked their way out of unemployment thanks to eBay [and] another 14% or so were disabled, and again, eBay had given them a chance to become professionally active.” Through presenting itself as a promoter of entrepreneurship and a vector of social integration, eBay France reinforced its association with the pro-market government of the time.

In 2008, the Secretary of State for Small- and Medium-Sized Firms, Hervé Novelli, transcribed some of the committee’s conclusions into regulations. The new law on ‘auto-entrepreneurship’, which had shared features with eBay’s proposal, was passed by parliament. eBay France became an active supporter. As A.V.S. explained, “for the government, eBay was a very good case study of precisely that kind of behavior, of auto-entrepreneurs who had started a business from scratch”. The Chief Legal Officer (B.T.) of PriceMinister, its main competitor, confirmed that “eBay was far more vocal than PriceMinister on the topic of auto-entrepreneurship, because they needed

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<sup>8</sup> The Committee was led by Jacques Attali (a high profile political adviser and senior civil servant), and was made up of academics (economists, historians, and scientists), lawyers, politicians, CEOs, union leaders, journalists, etc. It had 42 members.

<sup>9</sup> The survey was carried out by the market survey company Nielsen and was released mid-2008.



this new law to grow their seller base". He recalled how "eBay worked with members of parliament... to validate what Novelli was saying, and then to make the new law a success among its sellers".

The initiator of the law, Hervé Novelli, confirmed in an interview that auto-entrepreneur status had been originally designed with Internet firms and e-commerce in mind in order to make online platforms such as ebay.fr a vehicle for individual business creation, anticipating what would later come to be called the 'gig economy'. eBay France and its nonmarket environment became closely aligned: by encouraging auto-entrepreneurship, the company contributed towards making the new law a success, and the new law enabled the firm to grow further.

To sum up, by using proactive self-categorization strategies, the subsidiary reached a stage where it created its own fit with the institutional environment. It broadened the scope of its self-category to include positive narratives showing how the platform's activities contributed towards growth, job creation, entrepreneurship and the reinsertion of the socially marginalized. The platform was no longer at odds with the legal framework: it was understood and accepted by incumbents, and legitimized through new regulations the subsidiary had to some extent helped to shape. eBay France was inscribed in a renewed institutional environment that was partly spurred by, and fully supportive of, its activities.

## **5 Discussion**

In this paper, we have sought to explain how MNE subsidiaries develop nonmarket strategies to create a fit between a global market strategy and the local nonmarket framework of their host countries. Our findings, which are summarized in Figure 3, suggest that the subsidiary managed its nonmarket environment through self-categorization, in constantly renewed efforts to define its activity in accordance with new situations. The categorization was dynamic, in the sense that the strategies to build the self-category evolved between defensive (resisting pressure to conform to existing regulations) and proactive (seizing opportunities for new supportive regulations). These two self-categorization strategies resonate with the two mechanisms of

transference developed by Kostova (1999): the diffusion and institutionalization of organizational practices. In the process, self-categorization tactics evolved from labels and rhetorical contributions to disassociating the subsidiary from other categories that were subject to existing regulations (defensive self-categorization), to narratives contributing towards associating the subsidiary with new institutional frameworks (proactive self-categorization). Through the process, the subsidiary created a nonmarket strategic fit that aligned the pressure from its head office to adopt global organizational practices with local institutional contingencies. Our findings contribute to the institution-based view of international business strategy in two ways: first, they expand and deepen our understanding of self-categorization as a nonmarket strategy in international contexts; and second, they show the processes by which self-categorization supports the transfer of an MNE's organizational practices from its country of origin to the host country. We now discuss these two contributions in greater detail.

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INSERT FIGURE 3 ABOUT HERE  
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#### *5.1 Self-categorization as a nonmarket strategy for MNE subsidiaries*

Our study contributes to the institution-based view of IB strategy by providing a novel understanding of how MNE subsidiaries cope with institutional duality. Previous studies have proposed that “how [MNEs] internationalize ... is inherently shaped by the domestic and international institutional frameworks governing [the companies] endeavors” (Peng, et al., 2008, p. 931). From this perspective, the choice of nonmarket strategies by MNEs is determined by the level of institutional constraints and legacies of the host country (Nell, et al., 2015; Peng, et al., 2008; Rajwani & Liedong, 2015). In contrast, our findings suggest a more agentic view of MNE subsidiaries, one that highlights processes of company self-categorization aimed at creating a nonmarket strategic fit in the host country.

Self-categorization refers to the process by which a firm strategically defines itself as a member or non-member of a strategic group in an attempt to reduce uncertainty in its nonmarket

local environment and to safeguard the transfer of its global activities. This self-categorization process is agentic in that the subsidiary develops a category for itself rather than letting actors in the environment (governments, regulators, or incumbents) define its activities. This insight is theoretically relevant because it suggests that MNE subsidiaries are not the passive recipients of categories that emerge at a macro-institutional level. Instead, because subsidiaries of MNEs are under pressure to transfer global activities that have been designed by their head offices and must face the institutional pressures and opportunities of their host country (see Figure 3), they resort to self-categorization to establish a fit between their global activities and their nonmarket local environment. In this process, the categories are equally the result of macro-level constraints (both institutional and market-related) and micro-level (organizational) decisions. Therefore, self-categorization represents a way of addressing the “institutional duality” between host country conditions and the MNE’s policy (Kostova & Roth, 2002).

Previous studies in the strategy field have emphasized the regulatory purpose of categories, and conceptualized the process of categorization as “a multiplayer contest where firms and regulators attempt to disrupt or maintain the regulatory category” (Ozcan & Gurses, 2018, p. 1811). Studies within this stream have also underlined the use of labels as a partitioning mechanism through which categories emerge (Hsu & Grodal, 2015; Zunino, Suarez, & Grodal, 2019). Our findings extend these insights in the IB field by pointing to how subsidiaries use different tactics to self-categorize (see Figure 3). While labels were used in our case to construct partitions (such as the term “broker”, which was used to impose an understanding of eBay as a non-intervening actor), other tactics were also deployed. In the context of IB, subsidiaries must constantly refine, adjust, and expand their self-categories in order to anticipate and respond to the evolution of their institutional environment. Our findings suggest that MNE subsidiaries complement labels with rhetoric (e.g. ‘online auctions’ as a natural feature of ‘brokerage’) and narratives (e.g. ‘eBay as a place for entrepreneurship’). In our case, the narratives complemented the labels with positive attributes. For example, the ‘place for entrepreneurship’ narrative developed as a positive attribute to complement

the 'broker' label. We therefore show that self-categorization involves the use of multiple linguistic tactics that contribute towards building a category that morphs and adapts to institutional specificities and market evolutions.

By focusing on the tactics that MNE subsidiaries use to self-categorize, we also deepen our understanding of the outcomes of self-categorization in an IB context. In particular, we show that the effect of self-categorization is not merely the building of a consensus with institutional authorities to protect the subsidiary's business; it is also the creation of meaning to support institutional changes consistently with the firm's strategic evolutions. Previous research has highlighted how words, and more broadly rhetorical framing, are used to create resonance with an audience and facilitate organizational action, or to directly influence practices in a process of enactment (Giorgi, 2017; Lockwood, Giorgi, & Glynn, 2019). Our findings show that through self-categorization processes, MNE subsidiaries are able to deliver both resonance and enactment. They create a shared understanding of who they are and what they do ('resonance'), which facilitates the diffusion of their organizational activities. They also influence their nonmarket environment ('enactment') and orient institutional frameworks in a way that is favorable to their business strategy. Our study therefore expands on existing understandings of the effect of categorization to include how the diversity of self-categorization tactics allows subsidiaries to shape their host country institutions to some extent, beyond merely accommodating them.

## *5.2 Self-categorization and the transfer of MNEs' organizational practices*

Our findings shed new light on the processes by which MNEs transfer global organizational practices to local business contexts through the deployment of nonmarket strategies. Previous research has shown how subsidiaries transfer their head offices' global practices by creating the conditions for the diffusion of these practices and their institutionalization (Kostova, 1999; Kostova, et al., 2018), which often requires adapting the practices to local institutional requirements (Kostova, et al., 2016; Kostova & Zaheer, 1999). Our study contributes towards research on transference by demonstrating that the transfer of organizational practices has a nonmarket

dimension. In particular, our findings reveal that in the case of international firms, the transfer of organizational practices from home to host country is promoted by a combination of defensive and proactive self-categorization. Subsidiaries *diffuse* the MNE's global organizational practices locally through defensive self-categorization, which protects the MNEs' activities against local institutional pressures. Subsidiaries *institutionalize* these practices at a local level through proactive self-categorization, which enables the transfer of certain institutional norms from the country of origin to the host country.

At a more micro level, transfer occurs through processes of dissociation/association. Defensive self-categorization enables MNE subsidiaries to dissociate themselves from categories that fall within the scope of undesired regulations. Through the use of labels, subsidiaries say not only 'who they are', but also 'who they are not.' For eBay, for example, the label 'broker' constituted a way of dissociating itself from the constraining regulations that applied to the label 'agent' in France. Furthermore, subsidiaries use rhetorical tactics as a means to influence the regulator's interpretations of the category. Conversely, proactive self-categorization enables subsidiaries to create associations between the global activities of the MNE and local institutions, and to push regulatory change in a favorable direction. By making use of narratives that are institutionally meaningful and relevant to the firm's activities (e.g. 'driver for growth and export'; 'promoter of entrepreneurship'; 'vector of social reinsertion'), the subsidiary is able to progressively associate itself with new, more supportive institutional frameworks, and to take an active, positive role in the evolution of its institutional environment.

Our findings take the notion of 'situation' forward to grasp the processes by which nonmarket strategies facilitate the transfer of organizational practices. The institution-based view of IB assumes that firms approach political action by either awaiting the development of an important public policy issue before deciding on their course of action or building an extensive network of relationships so that when public policy issues arise that affect their operations, they have the contacts and resources in place to address the issue (Elsahn & Benson-Rea, 2018; White, et al.,

2015). As these issues evolve, they shape the dynamics and scope of a firm's nonmarket strategy (Blumentritt, 2003; Bonardi, Hillman, & Keim, 2005; Doh & Lucea, 2013). By stressing the primacy of issues, this view downplays the capacity of the various parties to shape their institutional environments according to their interests. The notion of situation seems better suited to capturing the fluidity and complexity of the process by which subsidiaries cope with institutional authorities to transfer global organizational practices locally. Following Girin (2011), we show that situations emerge and unite participants around an undefined object – an ill-founded project, a broad question, a vague issue – and that each participant may have different views of the result they want to achieve, or even no precise view at all. The issue, project, opportunity, or whatever object lies at the center of the situation, is progressively constructed, together with the profiling of each participant, during interactions. Through defensive or proactive self-categorization, a subsidiary of an MNE 'projects' a definition of itself in the direction of nonmarket actors. By so doing, it leverages each situation to facilitate the transfer of organizational practices, either through dissociation, to avoid further regulation ('we are a broker, not an agent'), or at a later stage through association, to promote new regulations ('we are a place for entrepreneurship in need of a more favorable environment').

An emphasis on situations makes a contribution towards answering recent calls from proponents of the institution-based view of IB to focus on "how institutional process unfold *over time*" (Peng, Ahlstrom, Carraher, & Shi, 2017, emphasis in original) and theorize institutional instability and dynamics in IB contexts rather than contexts of stability (Kostova & Hult, 2016). Subsidiaries disseminate and institutionalize global practices locally by seizing emerging situations and prompting new ones, hence navigating from one situation to the next and making decisions about the most appropriate way to define themselves in each situation. This is far from being a 'one-size-fits-all' process, and our findings demonstrate how one particular subsidiary created its own ways to transfer global practices into an institutionally distant environment. As has recently been shown in the case of Uber's expansion into new American cities (Spicer, Eidelman, & Zwick, 2019),

MNEs do not expand within a unified institutional framework. Each local, regional, or national government can issue their own laws and regulations, which means that different MNE subsidiaries face different situations. Their capacity to adjust their self-categorization tactics to local specificities, and to change their tactics as new institutional situations come along and new global strategic orientations are decided upon is paramount to their survival.

## **6 Generalizability, future research and concluding remarks**

Although, as the example of Uber shows, our findings are relevant to other firms and contexts, generalization must be carried out with caution. The context dependence of our study is one limitation, as it is with most international business research based on a single case. Contexts are particularly essential in the case of nonmarket elements (Cui, Hu, Li, & Meyer, 2018; Doh, et al., 2012; Rajwani & Liedong, 2015). Our findings can, however, foster generalization to similar, online platform-based businesses, and invite future IB research to investigate the nexus of online and nonmarket strategies. Online platforms are by nature impacted by the liability of ‘foreignness’ to a lesser extent than other businesses (Brouthers, et al., 2016), and Internet as a technology tends to promote free enterprise and deregulation (Kenney, 2003; Kogut, 2003), which may be at odds with established national institutions. Future research on the topic could investigate further how online platforms can develop nonmarket (dynamic) capabilities to promote their liberal approach to business globally while also abiding by their host governments’ legal and regulatory traditions. In particular, future studies could elaborate further on the necessity for platform managers to define their business model in a way that is meaningful not only to potential users, but also to institutional authorities. Additionally, by using a longitudinal case study focusing on France, we propose a somewhat uncommon empirical and methodological subject in the IB field. While an increasing proportion of research in IB focuses on emerging economies and uses large databases, ours invites further historical case studies that look at the intricacies and peculiarities of European markets from a nonmarket strategy perspective. This is a particularly pressing issue, as individual European countries still rely on different legal systems, despite European harmonization. Attempts at

harmonizing laws in the region may come under further strain, depending on the outcome of the Brexit process.

Moving beyond the empirical phenomenon to more analytical generalization (Yin, 2018), our research is an invitation to rebalance the institution-based view of international strategy in favor of a greater focus on formal institutions. Formal institutions have often been neglected, due to the conviction that “the regulatory domain is perhaps the easiest to observe, understand, and interpret correctly because it is formalized in laws, rules, and regulations” (Kostova & Zaheer, 1999, p. 70). Our findings show that the line between formal and informal institutions is not clear cut, confirming the argument that the meaning of laws and regulations is shaped not only by regulators, but also by business professionals in an interactive and ongoing framing of regulatory problems and solutions (Gilad, 2014; Talesh, 2015). More research is needed on how MNEs shape their level of compliance with local laws and regulations, and how they can influence formal regulatory frameworks through rhetoric and narratives. Additionally, our findings invite further studies on self-categorization as a nonmarket strategy. MNE subsidiaries play the role of spanning the boundaries between their global head offices and their local environment. Through categories, they create a fit between their organizational practices and the institutional constraints in their host country. Our findings can be generalized to firms internationalizing in countries that do not have the institutions to regulate their activities, which is generally the case with technology-based firms exporting a new product or service. Future research could investigate further how innovative MNEs choose between borrowing existing labels and inventing new ones to categorize their activities and create a fit with their institutional environment. More broadly, our research invites IB scholars to study the ‘language’ of nonmarket strategies, as MNE subsidiaries use labels, rhetoric, and narratives as means of action. We hope that this study will fuel future international business research on the important topic of self-categorization as a nonmarket strategy.



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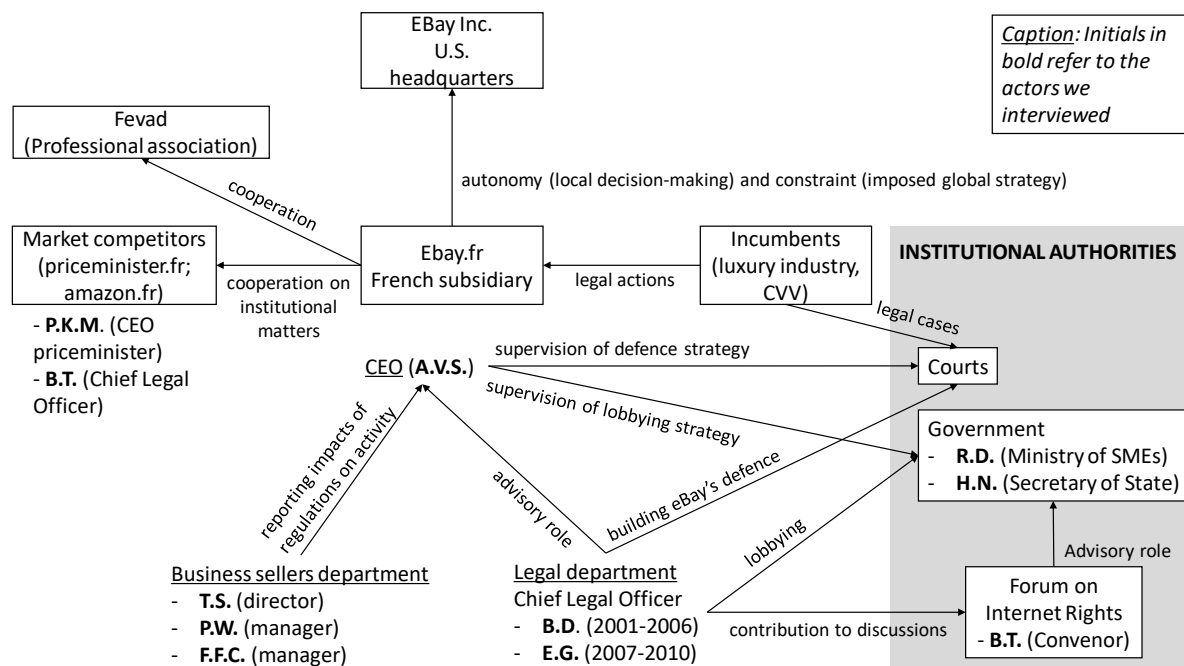
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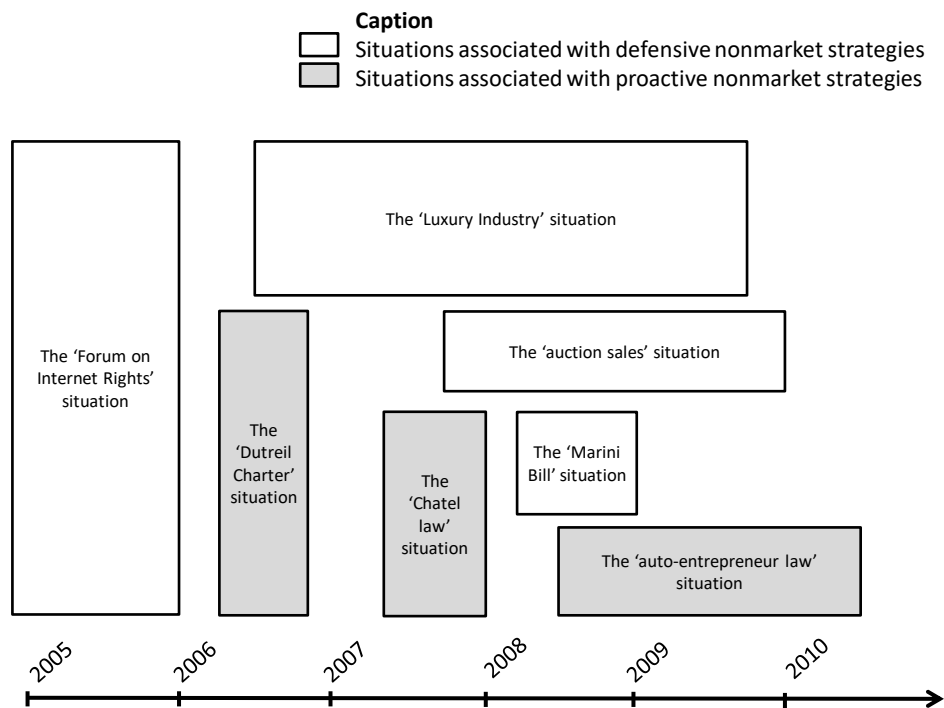
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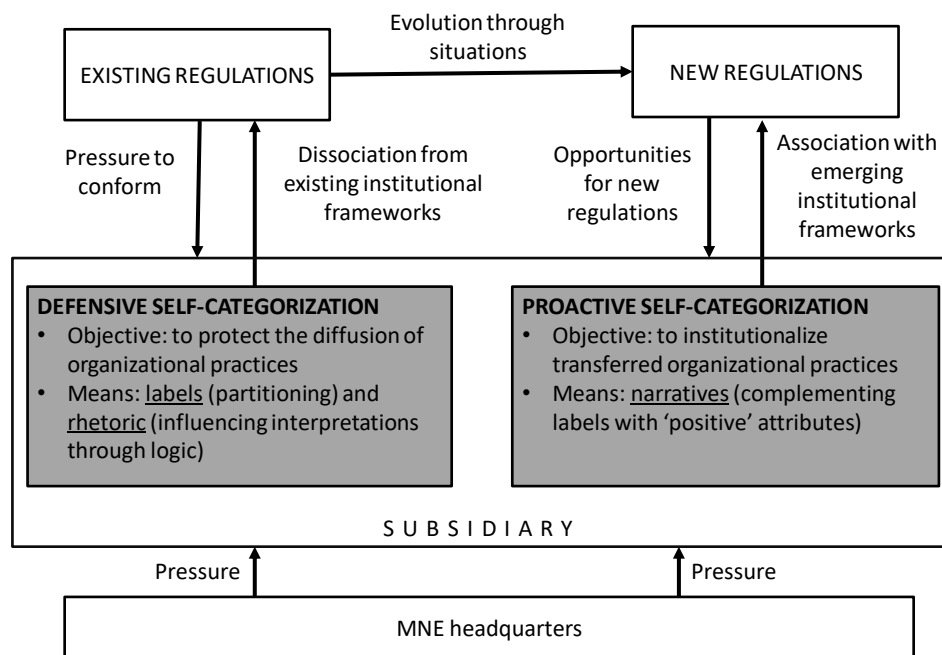
**Figure 1 – Map of the relationships between ebay.fr and its environment**



**Figure 2 – Chronology of the case: situations and nonmarket strategy phases**



**Figure 3 – A theoretical model of MNE subsidiaries' self-categorization process as a nonmarket strategy**



## Appendix A – Data collection

ARCHIVAL DATA	INTERVIEW DATA
<p>PUBLIC DOCUMENTS ON GOVERNMENTAL WEBSITES</p> <ul style="list-style-type: none"> <li>- foruminternet.org (Forum on Internet Rights)</li> <li>- pme.gouv.fr (State Secretary for SMEs and Commerce)</li> <li>- legifrance.gouv.fr (governmental archival website for legal texts)</li> <li>- apce.com (governmental agency for business creation)</li> <li>- lautoentrepreneur.fr (auto-entrepreneur/Novelli Law website)</li> <li>- senat.fr (Senate Chamber)</li> </ul> <p>PUBLIC DOCUMENTS ON INFORMATION WEBSITES</p> <ul style="list-style-type: none"> <li>- legipme.com (legal information website for SMEs)</li> <li>- legalis.net (information website on legal matters)</li> <li>- journaldunet.fr (main information website about the development of Internet in France)</li> <li>- lesechos.fr/Les Echos (main French business and economic newspaper)</li> <li>- latribune.fr/La Tribune (French business and economic newspaper)</li> <li>- lexpansion.lexpress.fr/L'Expansion (main French business and economic magazine)</li> <li>- news.bbc.co.uk (BBC)</li> <li>- ft.com (Financial Times)</li> <li>- lemondeinformatique.fr (supplement to Le Monde newspaper, focusing on Internet matters)</li> <li>- zdnet.fr (information website about Internet matters)</li> </ul> <p>INTERNAL PUBLIC DOCUMENTS:</p> <ul style="list-style-type: none"> <li>- actualites.ebay.fr (news and archived news on eBay France, 2006-2010)</li> <li>- eBay annual reports 2004-2010</li> <li>- fevad.com (website of the national trade association of Internet businesses)</li> </ul> <p>INTERNAL EBAY PRIVATE DOCUMENTS:</p> <ul style="list-style-type: none"> <li>- internal reports</li> <li>- Nielsen reports</li> <li>- brochures and instructions/guide documents for sellers</li> </ul>	<p>CONFIRMATORY INTERVIEWS</p> <p><u>Managers at eBay France</u></p> <ul style="list-style-type: none"> <li>- P.W., Business Seller Segment Manager</li> <li>- F.F.C., Business Seller Segment Manager</li> <li>- T.S., Sellers Managing Director</li> <li>- B.D., Chief Legal Officer at eBay France 2001-2006</li> <li>- E.G., Chief Legal Officer at eBay France 2007-2010</li> <li>- A.V.S., Chief Executive Officer (CEO) eBay France until 2010</li> </ul> <p><u>Representatives of the government</u></p> <ul style="list-style-type: none"> <li>- B. Tabaka, Convenor of the subgroup of the Forum on Internet Rights on tax evasion in 2005-2006</li> <li>- R. Dutreil, Ministry of Small and Medium Sized Firms in 2006, signatory of the 2006 Confidence Charter</li> <li>- H. Novelli, Secretary of State for Small and Medium Sized Firms in 2008, originator of the 2008 Law for the Modernization of the Economy</li> </ul> <p><u>Manager at PriceMinister, eBay's main competitor</u></p> <ul style="list-style-type: none"> <li>- P. Kosciusko Morizet, General Manager during the whole period</li> <li>- B. Tabaka, Chief Legal Officer 2007-2010</li> </ul>



## **Appendix B – Examples of interview questions**

### General questions

- Would you say that French regulations were originally a constraint or an opportunity for eBay – and for e-commerce firms in general?
- When have you been personally involved in interactions, discussions with regulatory authorities?
- Considering the different texts in which eBay was involved, would you say that eBay generally coordinated with other actors, such as PriceMinister, Amazon, or was eBay mostly independent in their discussions with the government?
- Did eBay coordinate with the Fevad? When?

### Questions on the Forum on Internet Rights

- Who was at the origin of the working group about e-marketplaces?
- Why did eBay take part to this working group?
- What was the position of eBay during the discussions (on the threshold / on legal status of Internet platforms)? Did eBay try to defend some particular ideas?
- Do you think the discussions contributed favorably to eBay's interests?

### Questions on the Dutreil Charter

- Who was at the origin of the charter?
- What was the role of eBay in this charter?
- Why did eBay get involved?

### Questions on lawsuits

- Why did eBay get involved in lawsuits against the CVV / luxury manufacturers?
- What were the main arguments eBay used during the lawsuits?

### Questions on the Marini bill

- Why did eBay oppose this bill?
- Why did you sign a petition with your competitor PriceMinister?
- Have you met Mr Marini?
- What were the main arguments eBay developed against the bill?

### Questions on the Chatel law

- What was the position of eBay in the Chatel law?
- Why was it different from the position of the Fevad?
- What role did eBay play in this law?

### Questions on the Novelli law

- What role did eBay play in the Novelli law?
- Was a new legal environment for entrepreneurship something that eBay wanted? Why?
- Have you met Mr Novelli or his team, and what sort of message have you delivered to him?